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Sustaining the American Dream

By Jack Painter

“ – with all these blessings, what more is necessary to make us a happy and a prosperous people? Still one thing more, fellow citizens – a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned. This is the sum of good government, and this is necessary to close the circle of our felicities.” Thomas Jefferson, First Inaugural Address.

Introduction

For many, the American Dream is fading.

There are a lot of reasons, including global competition.

I’m going to talk today about two critical ingredients in sustaining the American Dream – freedom and equality of opportunity – and how misguided government policies have undermined both.

I’ll identify three government failures in particular:

- Redistribution of wealth
- Over regulation
- Education policy

By redistribution of wealth, I mean things like corporate welfare, individual welfare, and inter-generational welfare.

By overregulation, I mean unnecessary government meddling, particularly when motivated by paternalism and favoritism.

And by education policy, I mean failing public schools and education policies that hurt the intended beneficiaries.

But I’m getting ahead of myself, so let’s start at the beginning.

What is the American Dream?

Just what is the American Dream?

What are your thoughts?

To me, the American Dream is both a journey and a destination.

It's a journey that involves deciding what gives meaning to your life and then pursuing it. It's a destination that involves both success and failure along with a sense of satisfaction when you achieve some degree of earned success.

It's also unique to each person and isn't just about material well-being. For one person it might mean owning a small business or building a business empire. For another, it might mean creating art or music or serving others by volunteering at a hospice.

It's really a human dream, not just the American Dream.

The pursuit of happiness

However you define the American Dream, it appears that a key part of it is the pursuit of happiness.

You'll recall those words are in the Declaration of Independence, which says we are all created equal and have the right to life, liberty and the pursuit of happiness.

It also says the purpose of government is to secure our rights, which means securing the conditions necessary to the pursuit of happiness.

But just what is the pursuit of happiness?

Is it hedonism by another name or something else?

What do you think?

Thomas Jefferson saw a distinction between true happiness and imaginary happiness. He also wrote that virtue, or moral excellence, is the foundation of happiness.

This suggests happiness is not just following our desires; in some cases, it means foregoing them.

In other words, the pursuit of happiness is something like occupying one's life with the activities that provide for overall well-being, meaning your personal well-being and the well-being of society as a whole.

By the way, social scientists have determined that our happiness is strongly associated with activities involving faith, marriage, work and community involvement.

Freedom and equality of opportunity

However, you define the pursuit of happiness, I believe two key ingredients are freedom and equality of opportunity.

I'm going to address one aspect of freedom – economic freedom – and then talk about the challenges of achieving equality of opportunity.

First, I need to define freedom and equality of opportunity.

- Freedom is the right to live your life as you see fit as long as you don't violate the identical rights of others. It doesn't mean you can do anything you want.
- Equality of opportunity is having your fate determined by your choices, not your circumstances, such as your race or social status.

There's an important point about freedom we should keep in mind. Each person's claim to freedom, meaning his rights, cannot conflict with anyone else's claim to freedom. If there is a conflict, that means one of them is falsely claiming a right.

For example, my right to exercise my religion doesn't mean I can engage in human sacrifice!

Freedom and equality of opportunity are essential to the pursuit of happiness

Freedom and equality of opportunity are essential to the pursuit of happiness.

- They facilitate voluntary associations, relationships and activities that give meaning to our lives.
- They allow innovation, experimentation and risk taking that leads to improvements in our standard of living.
- And by providing freedom of choice, they create the conditions for earned success, which is a key source of personal fulfillment.

Economic freedom

I'd like to focus on one aspect of freedom today – economic freedom.

For those of you who are wondering, economic freedom doesn't mean being able to afford that cashmere sweater you saw at Nordstrom.

It means property you acquire is protected from physical invasion by others, unless you obtained it by force or fraud.

It also means you are free to use, exchange or give away your property and services.

The connection to the pursuit of happiness

There is strong evidence that economic freedom is critical to the pursuit of happiness in at least two ways.

First, there appears to be a direct correlation between economic freedom and human satisfaction.

For example, statistics developed by the Fraser Institute show that countries with more economic freedom scored higher on various measures of human satisfaction, such as higher personal income, more happiness, civil rights, greater environmental protection, a longer life expectancy, less corruption, and lower unemployment. Here are some slides that illustrate that: <http://tiny.cc/eetk9w>. For more information, see: <http://www.freetheworld.com/>. See also this video: <http://www.youtube.com/watch?v=v1U1Jzdghjk>

There's a second reason economic freedom is important to the pursuit of happiness - It's a necessary condition to other freedoms.

It separates economic and political power, which is critical to having civil and political freedom. For example, without private wealth to buy printing presses and ink, there would be no freedom of the press.

Of course, economic freedom doesn't guarantee other freedoms. You need other things too, such as the rule of law, which means, among other things, that no one is above the law, and it applies equally to all. You also need private civic institutions that can act as a buffer between individuals and the state.

And our Founding Fathers believed that maintaining freedom requires virtue, meaning moral excellence, and that religion is essential to morality. This was true even of people like Thomas Jefferson who were not traditional Christians.

I'm not going to address the topic of virtue today, but the idea is that freedom and responsibility go hand in hand. The fact that you can do something without violating the rights of others doesn't mean you should do it.

The loss of economic freedom

But let's get back to economic freedom. It may be critical to the pursuit of happiness, but we're losing it in at least two ways.

- First, government increasingly invades our property by taxing us so it can redistribute wealth.
- Second, it increasingly regulates our economic affairs.

Wealth redistribution

Let me start with redistribution of wealth.

Most of what government does nowadays involves taking money for one person and giving it to another.

- You see that with corporate welfare like bank bailouts and farm subsidies.
- You also see it with individual welfare, like food stamps and housing subsidies.

- And you see it with inter-generational welfare, when government transfers wealth from one generation to another, often through borrowing.

In 2012, roughly 100 million Americans received some sort of aid from the federal government with an average cost of \$9,000 per recipient. That doesn't include Social Security or Medicare.

This requires a lot of tax revenue.

Over the past 50 years, taxes per household adjusted for inflation have roughly doubled.

Government is now about the size of the rest of the private economy. Instead of being a people that have a government, we're becoming a government that has a people.

On top of that, our income tax system is quite progressive.

In 2009, the top 1% earned 17% of all income and paid 37% of federal income taxes. They paid almost as much in federal income taxes as the entire bottom 95%, and half of that bottom 95% paid no income taxes at all.

Imagine for a minute that your taxes don't buy services from the federal government but instead buy a gallon of milk worth \$2.49. Taxpayers in the bottom 40% pay nothing for their gallon and actually get a \$1.00 rebate. Those in the top 1% pay \$109.81 for their gallon. In other words, the rich are paying an inflated price for their government milk so others can pay less.

The federal government also borrows about 40% of what it spends which means future generations will get stuck with much of the bill.

In effect, our government is engaged in legal plunder, with the many plundering the few and all of us plundering future generations.

Legal plunder is hard to stop. We saw that in Greece when people rioted in the streets to demand, in effect, that German taxpayers work until age 65 so Greek workers can retire at age 50.

When Cyprus faced a budget problem, it decided to confiscate the bank accounts of the wealthy.

Some people are worried our government could eventually do something like that by imposing special taxes on your IRA or 401(k) assets.

Regulation

We're also losing economic freedom as the government increasingly regulates all aspects of our lives.

I could provide thousands of examples, but the interesting thing is they are all relatively mundane. As I'll explain in a minute, though, the cumulative effect is enormous.

Here are three examples.

- The federal government now bans the manufacture of most incandescent bulbs because they aren't energy efficient. The Secretary of Energy said the ban prevents us from wasting our own money. How many of you think it's the federal government's business how you spend your money?
- Here's another. The State of Ohio licenses 31 of 102 low- to moderate-income occupations. To be a barber, you need 420 days of experience and must pass two exams. How many of you think the government needs to protect you from a bad haircut?
- Finally, federal and state government now imposes all sorts of health insurance mandates. My wife and I are required by the Affordable Care Act to purchase maternity and pediatric care we don't need and won't use.

There are thousands of examples like this.

In 2012 alone, the federal government published 77,000 pages of rules in the Federal Register.

Individually, these regulations don't mean much. There's a reason for that. If they were really offensive, they'd be repealed.

But cumulatively, the effect is enormous. It's the death of economic freedom by a thousand cuts.

If you don't believe that, consider this question. If automobiles were invented today, would the government allow them to be sold?

Imagine the auto companies telling the government they had a great new product that would result in the deaths of 34,000 Americans a year in horrible accidents, pump vast quantities of pollutants into the air, and require us to pave over vast areas of land.

What are the chances the government would allow that?

Paternalism and crony capitalism

What's driving this avalanche of regulation?

One factor is paternalism. That's when the government believes it knows what's best for you.

Here's Hillary Clinton in 1990 explaining the need for her proposed health care law:

“We just think people will be too focused on saving money and they won't get the care for their children and themselves that they need The money has to go to the federal government because the federal government will spend that money better.”

Another factor is so-called “crony capitalism.” That's when the government uses subsidies and regulations to benefit politically-connected businesses or even certain groups of people.

Crony capitalism doesn't always involve influence peddling. It is often just a natural consequence of government regulation because those with a lot at stake fight hard for their preferred outcome while the rest of us ignore what is happening because our individual stake in the outcome is small.

Paternalism and crony capitalism go hand in hand. Economists call this phenomenon “Bootleggers and Baptists.”

In the early 1900's, a coalition of bootleggers and Baptists pushed to outlaw the sale of liquor on Sundays. The Baptists did it for moral reasons, and the bootleggers did it to make money. The politicians were able to help well-connected businesses while appearing well-intentioned.

Does that sound familiar?

- You aren't allowed to waste your money on incandescent bulbs, while GE, which lobbied for the ban, profits by selling compact fluorescent bulbs.
- You are protected from a bad haircut, and barbers are protected from competition.
- You are protected from picking a bad health insurance policy, and your health insurer profits by charging you an inflated premium for coverage you don't want and won't use.

A change in the role of government

Our Founding Fathers would be surprised by this new regulatory and welfare state.

They said the purpose of government was to secure our rights. Today, the purpose is to solve problems and reallocate wealth, power and status.

I attribute this change largely to the progressive movement. I'd be happy to talk about that if you'd like during the question period.

I also think both political parties share blame for advancing the progressive agenda over the past 100 years.

What does it mean for the poor and middle class?

The combination of wealth redistribution and intrusive regulation is a toxic brew for the poor and middle class.

As the government increasingly makes decisions for all of us and limits what we can do, and as it increasingly replaces freedom with dependency, people have less opportunity to pursue happiness.

This affects all of us, but it has more effect on those trying to work their way up than those already at the top.

You've all heard of the adage, "Give a man a fish and you'll feed him for a day. Teach a man to fish, and you'll feed him for a lifetime."

In today's world, you can no longer buy your favorite fishing rod because the government made it uneconomical to produce, the bait is expensive because only government-approved bait is

acceptable, and the lake is surrounded by Park Rangers who must protect the public from rogue fishermen.

But don't worry, the government requires you put two out of ten fish you catch into a bucket that provides free fish for those who aren't fishing. Feel free to get in line to collect one of those fish.

The point is that when our government defines how you can live through paternalism, stacks the deck against you through crony capitalism, takes away your money and incentives if you're successful, and makes you dependent on government subsidies if you're not, it inhibits the pursuit of happiness and undermines the American Dream.

If you are skeptical about this, remember my statement earlier that social scientists have identified a strong connection between happiness and the values of marriage, work and community involvement.

How many of you think onerous regulations and taxation reduce small business formation and job creation?

How many of you think our welfare system encourages single parent families, reduces incentives for the poor to get an education and find a job, and replaces voluntary community involvement with government programs?

Ideas to consider

So what do we do to reverse this loss of economic freedom?

It's really not complicated:

- Eliminate corporate welfare.
- Reform our entitlement programs to reduce dependency while providing a safety net for those who cannot help themselves.
- Eliminate over regulation, meaning regulation that has nothing to do with securing our rights, especially regulation based on paternalism and crony capitalism.
- Simplify and streamline our tax system so it is designed to raise revenue, not micromanage the economy and redistribute wealth.

I'm happy to talk about specifics during the question and answer session.

Key objections

Some people object to these types of reforms.

I categorize their objections into four categories:

- The straw man argument: You're saying eliminate all government regulation and make people fend for themselves!
- The fairness argument: More economic freedom will increase inequality of income.
- The green eyeshade argument: As society becomes more complex, we need more regulation.
- And finally, the practical argument: We need welfare and regulation to avoid social unrest.

There's not enough time to discuss these objections, but let me just touch on the question of inequality of income.

Inequality is inevitable in a free enterprise system because people have different talents, ambitions and work ethics.

If I choose to work 40 hours a week and you choose to work 20, and I make \$50,000 a year and you make \$25,000, is it unfair I make more money? Is it unfair you have more leisure time?

Should the government equalize our income by giving you some of my money? Should it equalize our leisure by making you do some of my household chores?

When we look at inequality in a broader sense, what's more important, inequality of income or the standard of living of the poor?

Doubling everyone's income would increase the standard of living of the poor but also increase inequality. Would anyone here oppose that?

The point is that our primary goal should be to increase the standard of living of the poor. On that count, the Fraser Institute study I cited earlier is clear. There is a strong correlation between economic freedom and a higher standard of living of the poor.

That doesn't mean we shouldn't oppose the *causes* of inequality we can do something about, such as crony capitalism. But in that case, we are opposing crony capitalism, not inequality.

It also doesn't mean we should ignore the *consequences* of inequality we can do something about. For example, if the rich have more political influence, instead of restricting their political speech, why not address the root cause of the problem by reducing government meddling in our lives so there is less need to influence government policy?

What about equality of opportunity?

Before I conclude, I want to return to the idea of equality of opportunity.

The key point is that equality of opportunity is a critical part of the American Dream.

Things like wealth redistribution and over regulation can stifle opportunity for the middle class and poor, but eliminating those impediments won't ensure equality of opportunity.

There are still situations where people's circumstances, not their choices, disadvantage them, and they need help to have a fair chance in life.

The challenge is to promote equal opportunity for those who lack it without limiting the freedom or opportunities of others or harming the intended beneficiaries.

I don't have time to explore that in any detail, but I do want to point out that we have fallen short in education, which is critical to providing equality of opportunity.

For example, there is growing evidence that affirmative action in higher education is actually reducing the number of Black doctors, lawyers, engineers and other professionals because they are attending schools that don't match their abilities and therefore they don't succeed.

It's also obvious that many public schools are failing our students, particularly in the inner city, but there is disagreement about how to fix that and much resistance to change. You see that resistance when teachers unions oppose pay for performance, and public school boards refuse to sell vacant buildings to charter or voucher schools.

Review of main points

So to review the key points I've made:

- Freedom and equality of opportunity are key ingredients of the American Dream.

- Misguided government policies have undermined both.
- Key government failures involve redistribution of wealth, over regulation and failed education policy.

Reasons to be optimistic

Despite the challenges we face, I'm optimistic we can preserve the pursuit of happiness and the American Dream.

The main reason is that those who advocate for freedom and equality of opportunity have the moral high ground.

These ideas are ultimately based on a powerful idea – the self-evident truth that all men and women are created equal. In other words, we are all free and equal.

For this reason, people who advocate for legal plunder in any of its forms have a heavy burden. The same is true for those who want to regulate us even though we aren't violating anyone's rights, especially when their motivation involves paternalism or crony capitalism.

For me personally, these ideas are consistent with my religious faith and the idea that man is created in the image of God, but man is not God. In other words, we do not have authority to rule over others, although we have a right of self-defense which justifies preventing others from violating our rights.

I also believe the tide of history is on the side of freedom. Those who tried to extinguish it in the 20th century failed, and there is good reason to believe that those who want to extinguish it today will also fail.

Finally, the technological revolution we're witnessing is giving people ways to escape the clutches of big government.

- People are freer to choose where they live and how they learn, work, and interact with others.
- With the free flow of labor and capital, they can escape legal plunder and excessive regulation.
- With the internet, they can expose crony capitalism and favoritism.

- And with new technologies, they can get an education and learn new skills in ways that were never available before.

It's about hope

I think there is reason for hope, which is ultimately what the American Dream is about.

Ronald Reagan made this point during his second inaugural address when he said:

“The American dream is a song of hope that rings through night winter air; vivid, tender music that warms our hearts when the least among us aspire to the greatest things: to venture a daring enterprise; to unearth new beauty in music, literature, and art; to discover a new universe inside a tiny silicon chip or a single human cell.”

President Reagan was echoing Abraham Lincoln who called America “the last best hope of earth.”

I encourage all of you to maintain that hope and do what you can to defend the principles of freedom and equality of opportunity.

By doing so, we can improve the lives of all Americans.

We can honor our obligation to pass on to our children a country that is stronger and more vibrant than the one we inherited.

And, most importantly, we can preserve the American Dream for generations to come.